

Did you miss the AIMA Canada Investor Forum?

'Investing in an age of disruption' 29-30 October 2018



From the moment the fourth annual AIMA Canada Investor Forum (ACIF) kicked off, it was clear the future of the Canadian alternative investment industry is bright.

ACIF 2018, marking the 15th anniversary of AIMA in Canada, was inspired by the AIMA Perspectives paper and had the theme of Investing in an Age of Disruption.

[Perspectives](#) revealed such trends as the increased skill, knowledge, and judgement that is required by asset managers in their quest to consistently deliver alpha and how the pace of change and innovation in the industry is only going to increase, affected by the strong forces of disruption with technology and responsible investment. From the creation of new investment solutions to the implementation of cutting-edge technology to stay ahead of the pack, alternative investment firms are meeting the challenge.

These themes and more were all captured in panels including both local and global viewpoints on the full spectrum of alternative investments, including hedge funds, private debt, private equity, real assets and managed futures. Fintech disruption, with blockchain and cryptocurrencies, as well as trends in operational due diligence and the way forward for Canada's emerging managers were also covered, as over 55 speakers painted a picture of positive change for the alternative investment management industry.

It was ACIF's most attended event yet, with a sold-out count of 327 attendees (a third of which were investors and allocators) from Canada, USA, Europe and beyond. In addition to engaging in sessions, ACIF attendees also networked at hosted receptions and logged into the event app to efficiently connect with other participants.

Some noted highlights from ACIF 2018 included: AIMA's CEO Jack Inglis underlined the surging appeal of hedge funds and highlighted the new regulatory changes in Canada (NI 81-102) which allow for the creation of 'liquid' alternative mutual funds.



AIMA CEO Jack Inglis

Investor keynotes by Ron Mock, CEO of the Ontario Teachers' Pension Plan (OTPP), and Michael Latimer, CEO of Ontario Municipal Employees Retirement System (OMERS), addressed the development and success of the "Maple Revolutionaries", as the Economist dubbed them, driving the outsized success of Canada's pension funds. The need for innovation, top talent and independent governance was noted, with both pensions allocating portfolios towards real estate and infrastructure investments in this market.



Ron Mock, CEO of the Ontario Teachers' Pension Plan

In a crowded hedge fund space, allocators shared with the audience that they are looking for a 'true' alternative solutions provider aided by a differentiated set of core competencies to best achieve real returns which they are prepared to pay the market price for.

Opportunities across the private equity market remain attractive relative to other alternative asset classes, offering non-correlated returns to other strategies in the wider investment portfolio. Firms participating in the secondary market are making changes to address high levels of competition and



Panel on private equity

committed capital. Notably, it was mentioned that where it could be delivered, private equity managers that can integrate ESG into their investment decisions could drive better returns.

While there is still a large appetite for private credit there is also a growing mindfulness about where we are in the credit cycle and increased competition in the market. Flexibility, an ability to finance complex deals, speedy decision-making, innovative strategies and robust risk analysis were all seen as key attributes for managers looking to succeed in this competitive environment. Robust



Panel on private credit

risk policies & clear risk baselines are a key line of defence for managers and their investors at a time when covenants have become increasingly favourable to borrowers. In a later market cycle, lending to solid businesses, understanding geopolitical risk, insolvency processes, and enforcement capabilities are also taking on an increased importance in the market.

For global investors, trend-following strategies dominate as they have the potential to adapt to capture crisis alpha everywhere. The wide dispersion of returns among managers



Panel on CTAs

demonstrates the importance of selecting the right strategy and manager.

Real estate investing is a good source of core value for the investor, enjoying lower volatility and deploying modest levels of leverage. By comparison, investments in commodities can offer higher returns but with greater volatility. The benefits of globalization, diversification and ESG, as well as how managers are facing the key challenges of deal flow and valuation were discussed. Real asset portfolios are being reallocated as interest rates continue to rise and stock market valuations remain elevated.



Panel on real asset investing

Co-investments can be very profitable and are great opportunities for managers and investors to work closely together when there is a high-conviction trade or investment. A high degree of portfolio transparency is required.

If markets are efficient, higher returns can only be dependably gathered by taking on risks. These risks can be identified and grouped into factors, which can then be invested in. Panellists discussed how to integrate factors as portable alpha and as standalone strategies, customizing for tilts, emerging data trends and the importance of scrubbing data to ensure a high degree of trust in



Panel on factor investing

the numbers.

ESG factors can actually be an important source of revenue and implementing these can protect investors against risks, thus driving investor demand, especially among a younger generation hoping to do good. The importance of good ESG data, due diligence & monitoring of managers was underlined, as well as the expectation to get paid specifically for ESG performance. Investors should, if nothing else, expect the companies in which they invest to have mitigation strategies for resource scarcity and climate change.



Responsible investment panel

Distrust in central monetary authorities has driven the popularity of cryptocurrency and digital assets. The true change for cryptocurrencies will come with the involvement of institutional investors. Despite the recent fall in the price of cryptocurrencies, the future of the asset class is still bright, with the boom bringing in large volumes of talent. Blockchain will be transformational, creating efficiencies and reducing costs, while making data more private.

AI offers the possibility of exploiting vast amounts of data to find relationships in milliseconds. Canada



AIMA CEO Jack Inglis Interviews CEO of Galaxy Digital

is a leading AI player, with significant amounts of native talent, and it is important that AI be overlaid with human judgment. AI and machine learning are key in making predictions about clients and products, and the talent of future would reflect PhDs, data scientist, physicists and the like.

In keeping with the persistent theme of responsible investment, the due diligence panel stressed the need to look at the governance and the culture of a manager before investing in it. Employee misconduct, they all agreed, is a serious concern in the age of #metoo.



Panel on Artificial Intelligence



Panel on due diligence



Panel on the future of the Canadian alternative investment industry

Canada has extensive talent in alternatives investments, and Canadian managers' success has seen more than one path to growth, highlighting the importance of accessing clients in different channels, indifferent to geography. Public and private alternatives have a healthy growth opportunity in Canada. However, while NI 81-102 alternative mutual funds will be transformative for the industry, retail investors still need to be educated about them. AIMA Canada will endeavour to do just that.

Fittingly, guest speaker Dr. Mark 'Enigma' Baldwin, a leading expert on the German Enigma enciphering machine of World War 2 fame, shared poignant history highlighting how the Germans thought their machine's codes were unbreakable. The Enigma machine was ultimately cracked in large part due to human failure on the part of its operators. The fallibility of even sophisticated security technology to simple human error is an important warning in today's world of hackers and cyberattacks.



Dr Mark 'Enigma' Balwin

In all, 'Investing in an age of Disruption' truly demonstrated while that innovation through technology is crucial and constant, the judgement of human capital is still paramount. People are still the true talent both in reviewing data and making human connections, and are the basis for our business.



From left: Jack Inglis, CEO, AIMA; Michelle Noyes, Managing Director, Head of Americas, AIMA; Claire Van Wyk-Allan, Director, Head of AIMA Canada; Belle Kaura, Vice-President Legal, Chief Compliance Officer, Third Eye Capital; Chair, AIMA Canada Board; Laura Reid, Partner, KPMG LLP & Vice Chair, AIMA Canada Board

We would like to extend a special thanks to this year's sponsors, all our speakers and our many attendees for making ACIF 2018 such a success. We look forward to hosting you next year!



THANK YOU FOR READING

